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TO RUEHC/SECSTATE WASHDC PRIORITY 8236
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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
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RUHBANB/OKINAWA FLD OFC US FORCES JAPAN CP BUTLER JA PRIORITY
RHMFIUU/COMUSJAPAN YOKOTA AB JA PRIORITY
INFO RUEHFK/AMCONSUL FUKUOKA 4408
RUEHOK/AMCONSUL OSAKA KOBE 7467
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STATE FOR I/RF, PA/PR/FPC/W, IIP/G/EA, EAP/PD, R/MR,
EAP/J, EAP/P, PM;
USTR FOR PUBLIC AFFAIRS OFFICE;
TREASURY FOR OASIA/IMI;
SECDEF FOR OASD/PA;
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
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SUBJECT: MEDIA REACTION NEW FED CHAIRMAN - TOKYO

LEAD STORIES: Most Friday morning papers front-paged follow-up stories on the Japan Defense Facilities Administration Agency (JDFAA) bid-rigging scandal, saying that an arrested former JDFAA official has admitted to prosecutors that construction projects at the US Marine Corps Air Station at Iwakuni and Sasebo Naval Base were rigged.

¶1. "Appointment of New Fed Chairman Bernanke: Dialogue with the Bank of Japan Also Desirable" The conservative Sankei editorialized (2/3): "There is a new chairman of the US Federal Reserve Board (FRB) for the first time in 18-and-a-half years. Because former Chairman Greenspan had such a lofty reputation, the appointment of the younger Bernanke has been greeted by the market with both hope and apprehension. We hope that Mr. Bernanke will have a close dialogue with not only market players but also with Japan's monetary authorities. Mr. Greenspan, who served four US presidents, brought about a long period of stable growth without inflation...."

¶2. "Having overcome a number of financial crises through deft policy management, Greenspan has been called a 'maestro,' and his carefully-planned 'dialogue with the market' has been widely praised.... Mr. Bernanke, a former board member of the Fed who also served as chairman of the White House Council of Economic Advisers, has sharply criticized Bank of Japan (BOJ) policy, saying that it was the Japanese central bank's policy errors that caused the nation's long-term economic slump. It has also been reported that it was the ultralow interest rate policy proposed by Bernanke, who learned from Japan's failed monetary policy, that successfully prevented the US from plunging into a deflationary crisis following the collapse of the IT bubble in 2000...."

